



NOAA

NATIONAL OCEANIC AND
ATMOSPHERIC ADMINISTRATION
UNITED STATES DEPARTMENT OF COMMERCE

CONSTRUCTION WORK-IN- PROGRESS (CWIP) POLICY

Updated July 2015

Summary of Changes

Date	Description of Change
July 2015	<ul style="list-style-type: none"> Added Section 4.2.4 to address project codes in cancelling fund codes. Created a new Section 5.1 to explain the different types of costs. This new section caused the subsequent sections within Section 5.0 to move by one. Revised Section 5.4 (previously Section 5.3), Capitalized and Expensed Indirect Costs, to clearly define NOAA's policy regarding indirect costs. Revised Sections 5.12, Monthly CWIP Reconciliation Process, and Section 6.1.2, NF 37-6 – Report of Property Constructed, to include information regarding CWIP project codes in cancelling fund codes. Modified Section 5.11, CBS CWIP Report (CA500D) to include that unpaid expenditures must also equal zero before a project code will be purged from the CA500D report. Modified Appendix F to add the following sections: CWIP Activity Determination and Set-Up, Transferring CWIP Activities within NESDIS, and Salvage Value.
September 2014	<ul style="list-style-type: none"> Finalized Appendix F – Policy for Reporting Construction Work-In-Progress and Capitalization of NESDIS Satellites, Their Component Sensors and Related Assets. Removed Appendices F.1 and F.2.
August 2014	<ul style="list-style-type: none"> Clarified placed in service date for satellites and instruments (Section 6.1.1).
June 2014	<ul style="list-style-type: none"> Revised the Table of Contents to update the satellite related appendices. Clarified capitalization requirements regarding third party overhead (Section 5.2). Revised Section 5.7, CWIP Activities Funded by Reimbursables. Clarified supporting documentation requirements in Section 5.10, CWIP Documentation File.
May 2013	<p>Significant revisions and reorganization of the policy. Key revisions include:</p> <ul style="list-style-type: none"> Defining placed in service date. Clarifying accounting for costs incurred after the placed in service date. Clarifying costs to be capitalized versus expensed and related documentation requirements. Revising guidance related to impairments. Enhancing policy related to software, specifically costs and enhancements.
May 2012 and previous	<p>Various revisions that are superseded by the May 2013 revision and reorganization.</p>

This policy can be found at:

[http://www.corporateservices.noaa.gov/~
finance/CWIP.html](http://www.corporateservices.noaa.gov/~finance/CWIP.html)

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1.0 Purpose and Effective Dates

1.1 Purpose

The purpose of this document is to prescribe the policy for identifying, analyzing, summarizing, documenting, reporting and monitoring the Construction Work-In-Progress (CWIP)^a and Internal Use Software Development (IUSD) of the National Oceanic and Atmospheric Administration (NOAA).

CWIP policy must be followed by any Line or Staff Office (L/SO) expending funds as part of a CWIP asset. The proper accounting for CWIP and IUSD is important because it is mandated under the Chief Financial Officers (CFO) Act of 1990, and it supports the capitalized general property, plant, and equipment (PP&E) and depreciation components of the NOAA financial statements and therefore, the Department of Commerce (DOC) financial statements. Failure to comply with CWIP policy will negatively impact the DOC's annual CFO Act financial statements audit and will negatively impact NOAA.

CWIP is an extension of real and personal property; therefore, CWIP issues and costs are governed by the policy for PP&E.

The NOAA CWIP website (<http://www.corporateservices.noaa.gov/~finance/CWIP.html>) includes key information, including this policy, checklists, fact sheets, forms, templates, and the monthly CWIP reports from the CWIP Activity Database.

1.2 Effective Dates

The entire CWIP policy is not applicable retroactively and is effective July 1, 2015.

For the policy changes made in Section 5.4, Capitalized and Expensed Indirect Costs, Line/Staff Offices must have determined their indirect cost methodology(s), have the methodology(s) approved by Finance Office – Financial Statements Branch (FO-FSB) and the appropriate Property Office, and processed an Summary Level Transfer (SLT) for the amount of indirect costs that should be captured in CWIP for FY 2015 by September 15, 2015.

^a Unless otherwise stated, the term “CWIP” in this policy covers CWIP and IUSD.

2.0 Overview

2.1 Property, Plant & Equipment (PP&E)

PP&E are tangible assets that:

- Have an estimated useful life of two or more years;
- Are not intended for sale in the ordinary course of business; and
- Are intended to be used or available for use by the entity.

The two classifications of PP&E are:

- Real Property – Construction, significant improvement or modification of a building or structure firmly attached to the land.
- Personal Property – Development, construction or installation of equipment or asset that is not real property. Personal property tends to be movable and is not permanently affixed to land. Examples include equipment, software, furniture and vehicles.

2.2 Construction Work-In-Progress (CWIP) and Internal Use Software Development (IUSD)

CWIP is a temporary holding standard general ledger (SGL) account (Account 172000, Construction In Progress) used to accumulate and track costs during the design and construction of PP&E (both real and personal property). IUSD is a temporary holding SGL account (Account 183200, Internal Use Software in Development) used to accumulate and track costs during the design and development of software to be used internally (personal property).

In order to be considered a CWIP activity, a construction project must meet **all** of the following four criteria for capitalization:

- Have an aggregate acquisition cost of \$200,000 or more, **and**
- Have an estimated service life of two years or more, **and**
- Provide a long-term future economic benefit to the NOAA organization which maintains or obtains control, **and**
- Is not intended for sale in the ordinary course of operations.

Additions, alterations, betterments, rehabilitations, leasehold improvements, replacements or upgrades that meet the above CWIP criteria and **either extend the useful life of the asset or enlarge or improve its service capacity** should be treated as a CWIP activity. Leasehold improvements include improvements on leased buildings made through lump sum supplemental lease agreements (SLAs), Reimbursable Work Authorizations (RWAs), or interagency agreements.

Enhancements to existing internal use software must be carefully considered to determine if they should be treated as an IUSD activity. Significant enhancements of internal use software that lead to and provide significant additional capabilities should be capitalized. However, minor

enhancements resulting from ongoing systems maintenance should be expensed. Furthermore, the cost incurred solely to repair a design flaw or to perform minor upgrades that may extend the useful life of the software without adding capabilities should be expensed.

The CWIP policy must be followed even if a construction project is expected to begin and finish in the same fiscal year (FY).

If there is the slightest possibility that a construction project should be CWIP, please contact the Finance Office – Financial Statements Branch (FO-FSB) and the appropriate office within the NOAA Office of Chief Administrative Officer (OCAO), specifically the Project Planning and Management Division (PPMD), the Real Property Management Division (RPMD) and/or the Personal Property Management Branch (PPMB), to verify *before* any obligations are incurred to avoid considerable difficulties in getting the data corrected in NOAA's accounting system, Commerce Business Systems (CBS).

2.3 Major Phases and Steps of the CWIP Process

The following are the major phases and steps involved in the CWIP process:

- Planning Phase:
 - Determine whether an activity is CWIP or not.
 - Designate a CWIP Project Manager and CWIP Activity Manager and ensure that they have completed the mandatory annual CWIP training.
 - Establish project codes.
 - Establish the CWIP activity in the CWIP Activity Database.
- Construction Phase:
 - Track and capture all costs.
 - Maintain supporting documentation.
 - Reconcile monthly the CWIP documentation to CBS.
 - Monitor and update the CWIP Activity Database.
- Capitalization and Completion Phase:
 - Transfer the asset from CWIP to PP&E based on the placed in service date and via the Report of Constructed Property (NF 37-6).
 - Close out the CWIP activity.

3.0 Roles and Responsibilities

A CWIP Project Manager and a CWIP Activity Manager must be designated for each activity.

3.1 CWIP Project Manager

The CWIP Project Manager is the individual who provides construction management support and CWIP documentation to the CWIP Activity Manager. Specifically, the CWIP Project Manager must:

- Complete mandatory CWIP training each FY in compliance with Section 3.8.
- Include required CWIP critical element language incorporated into their (the CWIP Project Manager's) performance plans.
- Complete and provide CWIP Determination Letter to CWIP Activity Manager at the start of the CWIP activity before any obligations are incurred.
- Prepare and revise, as necessary, a schedule of dates including design start, construction, placed in service date and completion date of the CWIP activity and provide the schedule to the CWIP Activity Manager.
- Submit all obligating documents (prior to obligation and authorization), award documents, related invoices, and prepayment supporting documentation to the CWIP Activity Manager.
- Immediately following when the asset has been placed in service, complete and provide documentation to the CWIP Activity Manager.
- Annually identify any significant event(s) or change(s) in circumstance that may indicate an impairment and submit the information to the CWIP Activity Manager. (See Section 5.9 for details.)

3.2 CWIP Activity Manager

The CWIP Activity Manager has the overall responsibility for the financial and budgetary activities, as well as the responsibility for the accuracy of the valuation of the CWIP asset(s). Specifically, the CWIP Activity Manager must:

- Complete mandatory CWIP training each FY in compliance with Section 3.8.
- Include required CWIP critical element language incorporated into their (the CWIP Activity Manager's) performance plans.
- Notify the FO-FSB of the existence of a new CWIP activity.
- Ensure a CWIP Determination Letter is completed at the start of the CWIP activity before any obligations are incurred.
- Ensure all CWIP project codes are set up properly utilizing the unique CBS CWIP project code structure.
- Ensure correct ACCS accounting codes are used (CWIP and non-CWIP) on all transactions to capture and allocate correctly all costs, both capital and expense.
- Maintain a CWIP documentation file, in accordance with Section 5.11.
- Submit cost adjustments for corrections, as needed.
- Submit annual cost adjustments to record "Incidental and Administrative Costs" for the activity (if applicable).
- Review the monthly CWIP Activity Database reports posted to the NOAA CWIP website and advise the FO-FSB in a timely manner of any changes.
- Ensure that the cost of the asset is accurately reported as CWIP by reconciling the CWIP balances monthly, using the required CWIP Reconciliation Template, for all costs in the CWIP Activity Manager's documentation file to the CBS CWIP Report (CA500D) by:
 - Ensuring completeness and accuracy for all CWIP balances,

- Verifying proper CBS project code structure,
 - Explaining anomaly balances and
 - Identifying and resolving any differences.
- Ensure timely and accurate submissions of the monthly reconciliations and the NF 37-6(s) to the FO-FSB.
- Ensure costs are properly reclassified as capitalized when the asset is placed in service, and when the asset is entered into the appropriate property system.
- Ensure assignment of a barcode when a personal property CWIP asset is placed in service. (Note: Real property identification numbers are automatically assigned by the Federal Real Property Management (FRPM) System once the building occupancy date is entered in the system.)
- Notify the FO-FSB via email when a CWIP/IUSD project code and/or activity is complete.
- Upon notification by the CWIP Project Manager of a possible impairment, perform an analysis to determine if an impairment has occurred. If an impairment has occurred, provide the necessary information to the FO-FSB.
- Identify amounts prepaid or advanced for CWIP activities where work is not completed and notify the FO-FSB quarterly, using the Advance/Prepaid Amounts template, providing advanced amounts not completed.

3.3 L/SO CFOs or NOAA's CAO/Deputy CAO, if CWIP Activity Manager is OCAO-Designated

The CFO or NOAA's Chief Administrative Officer (CAO)/Deputy CAO, if the CWIP Activity Manager is OCAO-designated, will:

- Ensure all staff adheres to the NOAA CWIP Policy for all applicable CWIP activities.
- Ensure all applicable CWIP activities are designated as CWIP at the start of the activity.
- Ensure CWIP Project and CWIP Activity Managers are designated for each CWIP activity.
- Ensure all CWIP Project and CWIP Activity Managers complete the mandatory CWIP training in compliance with Section 3.8.
- Review required monthly CWIP reconciliations and submit to the FO-FSB by established monthly due dates.
- Review and certify all NF 37-6s.

3.4 Line/Staff Office (L/SO)

The L/SO is responsible for providing the construction requirements and funding. Additionally, the L/SO will:

- Ensure, in compliance with Section 4.2, the standard and unique CBS CWIP project code structure is followed for all CWIP project codes when CBS Project Code Request Form is received from the CWIP Activity Manager.

- Provide the CBS depreciation organization, project and task code information to the CWIP Activity Managers.
- Ensure all CWIP requirements are established before expending the funds.
- Ensure compliance with CWIP policy.

3.5 Office of Chief Administrative Officer (OCAO)

The OCAO, specifically the RPMD, the PPMB, and the PPMD, has the overall responsibility for oversight of NOAA's CWIP activities and policy. These offices will:

- Ensure all CWIP activities are adhering to NOAA's CWIP policy.
- Provide guidance on NOAA CWIP policy.
- Review the L/SO determinations of real and personal property.
- Provide guidance to the L/SO in determinations as to whether a construction project will result in a CWIP activity.
- Ensure the accuracy of the CWIP costs included for capitalization in the property system by reviewing NF 37-6s provided and supporting CWIP documentation files.
- Provide, coordinate and track completion of the annual CWIP training program.

3.6 Finance Office – Financial Statements Branch (FO-FSB)

The FO-FSB has the overall responsibility for issuing, interpreting, monitoring and maintaining the CWIP policy, related forms and templates. The FO-FSB is responsible for providing guidance to ensure the policy is consistent with external accounting standards and requirements (e.g., standards established by the Federal Accounting Standards Advisory Board (FASAB)). In addition, the FO-FSB is responsible for maintaining the CWIP Activity Database and generating reports from the database.

3.7 Transferring of CWIP Responsibility

If the management and control of CWIP activity is transferred to another L/SO from the L/SO funding the activity (i.e., CWIP Project and Activity Managers are outside the funding L/SO), then all responsibilities for management and documentation of the CWIP process are also transferred. Transferring CWIP responsibilities often occurs when major construction activities are transferred from an L/SO to NOAA's Corporate Offices to manage. A CWIP activity can have only one CWIP Activity Manager.

3.8 CWIP Training

CWIP training is mandatory and must be completed each FY by all CWIP Project Managers and CWIP Activity Managers in accordance with their performance plans. The CWIP training is available online through Commerce Learning Center (CLC).

If the CWIP Project/Activity Manager is newly appointed, the mandatory CWIP training must be completed within one month of their appointment to the CWIP role. It is the responsibility of the L/SO CFO to ensure compliance and completion of the CWIP training.

OCAO is responsible for coordinating the annual CWIP training program. OCAO is also responsible for tracking whether CWIP Project and Activity Managers have completed the mandatory training. OCAO should inform the appropriate L/SO CFOs or NOAA's CAO/Deputy CAO, if the CWIP Activity Manager is OCAO-designated, of CWIP Project and Activity Managers who have not completed the required training.

4.0 Planning Phase

4.1 Determination of CWIP

The CWIP Determination Letter must be prepared to document the determination as to whether a construction project is CWIP or not. (Templates can be found on the NOAA CWIP website. There are templates for real property and personal property construction projects.) The letter can be prepared months in advance of setting up any project codes in CBS. The letter must be prepared and approved before any funding is obligated. The CWIP Determination Letter must be sent to the L/SO Headquarters, the RPMD/PPMB, and the FO-FSB. The RPMD/PPMB will approve the CWIP Determination Letter within 5 business days of receipt; however, more time may be necessary when research, consultation and deliberation are required.

4.2 CBS CWIP Project Code Assignment

A CWIP activity must have, at a minimum, two unique CBS project codes:

- A CWIP project code to capture all costs to be capitalized. This project code will have a CBS project 'type' of CWIP (or IUSD) for active CWIP project codes or CWIPC (or IUSDC) for completed CWIP project codes; and
- A non-CWIP project code for costs that should be expensed and not capitalized as part of the CWIP activity. This project code will have a CBS project 'type' of something other than CWIP (or IUSD).

Project codes and their related task codes should only be used for one CWIP activity. Project codes and their related task codes should not be used on multiple CWIP activities (i.e., no shared codes).

CBS and the PPMB's Unreconciled Payments Report (UPR) must be able to recognize CWIP project codes for CWIP activities and costs to be accumulated.

When NOAA's CWIP activities are funded by an outside source, such as through reimbursable funding, the project codes for the CWIP amounts funded by the reimbursable sponsor will not follow the same CWIP project code structure. CWIP activities funded by reimbursable funding should follow the appropriate reimbursable project code structure in CBS for NOAA's activity (see Section 5.8 for more information).

Once an activity is identified as CWIP and funds are available, the CWIP Activity Manager, working through the L/SO Headquarters Office and the FO-FSB, must ensure the required CBS CWIP project codes are established.

To set up a CWIP/IUSD project code under a CWIP Activity, the Financial Management Center (FMC) prepares the CBS Project Code Request Form and the Request to Add or Change CWIP Activity Form (database form). (Both forms can be found on the NOAA CWIP website.) The FMC forwards completed forms, including approved CWIP Determination Letter, if applicable, to the L/SO Headquarters. The L/SO Headquarters Office reviews and approves both forms and enters/saves the CWIP/IUSD project code in CBS using the CM004 screen but does not approve or activate the project code.

The L/SO Headquarters Office forwards to the FO-FSB the CBS Project Code Request Form (pages 10 through 12 of the form only), the Request to Add or Change CWIP Activity Form (database form), and the OCAO-approved CWIP Determination Letter (for new CWIP activities only). The FO-FSB reviews the forms to:

- Ensure that the CWIP Determination Letter and the CBS Project Code Request Form contain the proper concurrences from the OCAO and the L/SO, respectively;
- Ensure the proper format of the project code structure; and
- Ensure the CWIP Determination Letter is completed at the start of the CWIP activity.

The FO-FSB contacts the L/SO, if corrections are needed. Depending on the nature of the correction, corrections will be made either (1) by the FO-FSB with email confirmation of changes from the L/SO or (2) by the L/SO. The FO-FSB updates the CWIP Activity Database and approves and activates the CWIP/IUSD project code in CBS using the CM004 screen within one business day of receipt of the forms (pending access to CBS and the extent of errors).

4.2.1 Operations, Research and Facilities (ORF) Direct Funded CBS CWIP Project Code Structure

For CWIP activities derived from Operations, Research and Facilities (ORF) funding in the various 13_1450 Treasury symbols, the 2nd position of the CBS project code should be a "4" at all times. Using a "4" in the 2nd position of the CBS project code, instead of the normal "8" in that position, indicates that the CBS project code is a CWIP project code derived from ORF funding (i.e., "x4xxxx"). The first position of the CBS project code should be the L/SO identifier for project codes set up in NOAA's no year ORF fund codes (CBS FC 01). However, if the project code is assigned to one of NOAA's multi-year ORF fund codes, the first alpha

position of the CBS project code represents the FY (i.e., for FY 2003, the first position of the CBS project code was assigned as “A” and so forth).

4.2.2 Procurement, Acquisition and Construction (PAC) Direct Funded CBS CWIP Project Code Structure

For CWIP activities derived from Procurement, Acquisition and Construction (PAC) funding in the various 13_1460 Treasury symbols, the 2nd position of the CBS project code should be a “2” **and** the 4th position of the CBS project code should be a “F” (**NOTE** – **both** conditions must exist for project codes with PAC funding). Using a “2” in the 2nd position **and** an “F” in the 4th position of the CBS project code, instead of other positions within the project code structure, indicates that the CBS project code is a CWIP project code derived from PAC funding (i.e., “x2xFxxx”). The first position of the CBS project code should be the L/SO identifier for project codes set up in NOAA’s no year PAC fund codes (CBS FC 16). However, if the project code is assigned to one of NOAA’s multi-year fund codes, the first alpha position of the CBS project code represents the FY (i.e., for FY 2003, the first position of the CBS project code was assigned as “A” and so forth).

4.2.3 Use of CWIP Sub-Activities

L/SO can still establish several “components” or CWIP sub-activities under a CWIP activity and differentiate them by using different CBS task codes within the CBS CWIP project code. An example would be a CWIP activity constructing multiple assets in which each asset could be assigned a different CBS project and/or task codes. This structure makes the tracking of costs for each asset or component easier.

4.2.4 CWIP Project Codes in Cancelling Fund Codes

Any CWIP balances in cancelling fund codes will be transferred to the respective X or no-year appropriation (e.g., CWIP balances in cancelling PAC fund codes will get transferred to fund code 16, and CWIP balances in cancelling ORF fund codes will get transferred to fund code 01). By moving these balances to the X or no-year appropriation, it will prevent having to constantly roll balances forward in the event that the asset is not ready for capitalization.

If there are any remaining UDO balances on any of the project codes with CWIP balances, those UDO balances will either need to be deobligated or paid prior to the September 30, 20xx CBS close.

If there are plans to capitalize the asset via an NF 37-6 prior to the cancellation date (for the full uncapitalized amount), then no action is necessary since there will be no CWIP balance at September 30, 20xx. If not, then general journal entries will be done by FO-FSB to move those

uncapitalized costs, by project and task code, to the new project and task codes established in fund code 01 or 16. This will prevent the CWIP balances from lapsing from the balance sheet.

FO-FSB will send out a notification to the Line/Staff Offices with their respective project and task codes that have CWIP balances in a cancelling fund code. Line/Staff Offices will need to set up a new project and task code in a no-year appropriation. The new project and task code will go through the normal approval process. FO-FSB will assign the new project code to the proper activity in the CWIP database when appropriate.

On the CA500D, the new project and task code will show \$0 total costs, a negative amount of Capitalized costs, and a positive CWIP balance. The old project and task code will show the total costs at the correct amount, a positive amount of Capitalized costs, and \$0 CWIP balance. Parts of the CA500D report are formula driven (e.g., Capitalized costs = Total Costs – CWIP). When the CWIP balance is moved from the cancelling fund code to the no year fund code, the Capitalized costs column of the CA500D report is populated with a positive amount for the cancelling project and task code. For the new project and task code, the CWIP column is populated with a positive amount, and because there are no costs associated with the new project and task code and the formula within the report, the capitalized amount is reported as a negative amount. Therefore, both the cancelling fund project and task code and the new or non-cancelling fund project and task code should be considered when reviewing the costs reported on the CA500D report.

Fund Code	Project Code	Task Code	UDO	Cost	Total	Capitalized	CWIP
Cancelling	x2xFxxx	xxx	\$0	\$958,013	\$958,013	\$958,013	\$0
No Year	x2xFxxx	xxx	\$0	\$0	\$0	\$<958,013>	\$958,013

Both the new (or non-cancelling) and the old (or cancelled) project and task codes should be reflected on the CWIP reconciliations and NF 37-6s for the appropriate CWIP activity.

4.3 CWIP Activity Database

The FO-FSB maintains the CWIP Activity Database, which consolidates current CWIP data in one location. It also provides a mechanism via reports to: (1) identify all open CWIP activities; (2) link all active CWIP project codes to a CWIP activity; (3) identify all active CBS CWIP project codes within an open CWIP activity; (4) identify all active CBS CWIP project codes not linked to a CWIP activity; (5) list all CWIP project codes for a CWIP activity; (6) track completion of mandatory annual CWIP training requirement to identify non-compliance (for the OCAO use); and (7) track mandatory submissions of CWIP reconciliations for all open CWIP activities with balances to identify non-compliance (for the FO-FSB use).

The CWIP Activity Database includes CWIP activities, project and task codes, estimated placed in service dates, estimated costs and names of CWIP Activity and Project Managers. Once all

data has been imported into the database, the monthly CWIP Activity Database Reports are run, reviewed, and posted to the NOAA CWIP website.

New CWIP activities are entered into the CWIP Activity Database from the Request to Add or Modify a CWIP Activity form. Specific instructions for adding new activities and revising existing information in the database are provided on the NOAA CWIP website.

The FO-FSB will conduct an annual certification of the CWIP Activity Database by requesting the CWIP Activity Managers to verify the information in the database.

5.0 Construction Phase

5.1 Types of Costs Applicable to CWIP

FASAB's Statement of Federal Financial Accounting Standards (SFFAS) 6, "Accounting for Property, Plant, and Equipment (PP&E)", paragraph 26, states that "all general PP&E", including CWIP, "shall be recorded at cost. Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use".

There are different types of costs that must be considered when tracking and capturing costs for a CWIP activity. Costs can be direct or indirect; capitalized or expensed.

Direct costs are costs that are directly related to the construction of an asset. These costs can be specifically identifiable and traceable to a CWIP activity. Depending on the type of direct cost, these costs can be capitalized or expensed as described below in Sections 5.2 and 5.3.

Indirect costs are costs that are jointly or commonly used by two or more projects (CWIP and/or non-CWIP projects) and cannot be specifically identified with or traced to a particular project in an economically feasible way. Depending on the type of indirect cost, these costs can also be capitalized or expensed. Indirect costs are addressed in Section 5.4 below.

The requirements to correctly capture capitalized and expensed costs apply even when a program exists for the sole purpose of constructing an asset(s).

5.2 CWIP Capitalized Direct Costs

CWIP capitalized direct costs reflect construction and installation costs, and generally include all ancillary costs associated with design, delivery, project management, as well as testing, delivering, and installing the equipment or facility. CWIP capitalized costs are usually non-recurring; although several years may be required to complete large installation activities and funding may be spread over that period.

Examples of capitalized costs from FASAB's Statement of Federal Financial Accounting Standards (SFFAS) 6, "Accounting for Property, Plant, and Equipment (PP&E)", paragraph 26, include:

- "Amounts paid to vendors;
- Transportation charges to the point of initial use;
- Handling and storage costs;
- Labor and other direct or incidental production costs (for assets produced or constructed);
- Engineering, architectural, and other outside services for designs, plans, specifications, and surveys;
- Acquisition and preparation costs of buildings and other facilities;
- An appropriate share of the cost of the equipment and facilities used in construction work;
- Fixed equipment and related installation costs required for activities, a building or facility;
- Direct costs of inspection, supervision, and administration of construction contracts and construction work;
- Legal and recording fees and damage claims;
- Fair value of facilities and equipment donated to the government; and
- Material amounts of interest costs paid. (Interest costs refer to any interest paid by the reporting entity directly to providers of goods or services related to the acquisition or construction of PP&E.)"

Specific examples of direct costs that the CWIP Activity Manager should capture in CWIP are:

- Net book value (or fair value, if net book value is not determinable) of facilities and equipment "transferred" to NOAA by another Federal agency (includes amounts funded through reimbursable funding if ownership transfers from reimbursable sponsor to NOAA at activity completion).
- The amount of the donation for portions of a CWIP activity donated by a university. Donations of assets require special attention and approvals. The NOAA FO's Financial Policy and Compliance Division (FO-FPCD) can assist with the policies and procedures for asset donation from a non-Federal donor.
- Labor cost for design and engineering – defined as architectural and engineering design used for construction or production contracting (see note below).
- Planning activities resulting in final design.
- Actual contract costs with modifications for architectural and engineering contract design.
- Actual costs for architectural and engineering task orders for design surveys (i.e., geotechnical survey to finalize foundation design in process -- to be distinguished from surveys conducted in the planning stage, such as land surveys).
- Storage costs of Government Funded Equipment (GFE) delivered prior to installation date
- Duplication costs of 100% design drawings.
- Construction contract and all modifications.
- Testing related to the construction of the asset(s).
- Materials and all actual labor associated with construction.

- Demolition of an existing building or structure to prepare a site for construction of a new building, structure or addition. The RPMD should be notified in the planning stage of any potential demolition of a Federal government-owned building or structure for assistance in obtaining the proper approvals.

Note: If design is stopped for a change in scope, a determination must be made to capitalize the design costs to date. If the original design is abandoned and a new design initiated, a cost adjustment must be made to transfer those design costs already recorded from the CBS CWIP project code to a CBS non-CWIP project code. If the original design is retained and modified, the design costs already recorded will remain in the CBS CWIP project code and the additional costs will be added.

Direct labor costs for design and engineering of CWIP activities must be captured as a capitalized labor cost. The labor costs will be reflected in the CA500D report and will be encompassed within CBS object class codes 11xx for salary and 12xx for leave and benefits. The sum of these two CBS object class codes is the total labor and benefits to be capitalized.

For IUSD, capitalized costs should include the full cost incurred during the software development stage, including the amount paid to a contractor to design, program, install, test, and implement the software.

When another federal agency or a non-federal contractor serves as an acquisition agent for NOAA and charges NOAA for its oversight services, those costs must be reviewed to determine if those costs should be captured in CWIP. For example, outreach and education costs may be included in the charges to NOAA; however, these costs are not directly or indirectly necessary to bring PP&E to a form and location suitable for its intended use.

5.3 Expensed Direct Costs

Specific examples of direct costs that should **not** be included in CWIP for capitalization, **but instead should be recorded as an expense**, include:

- Planning studies and/or activities not resulting in final design (a.k.a., research and development, etc.).
- Ordinary administrative supplies (i.e., copy paper, office equipment, etc.).
- Travel not related to the construction of the asset(s).
- Training.
- Interest expense paid as a result of the Prompt Payment Act (e.g., object class codes 43-01 and 43-11).
- Operations and maintenance or sustainability of the asset(s).
- Personal property equipment developed as prototypes "leading to development of specification" that will be used for purchase/production - these are "pre-design" costs.
- Demolition of Federal government-owned Real Property, for reasons other than those mentioned in Section 5.2, would be expensed. The RPMD should be notified in the planning

stage of any potential demolition of a Federal government-owned building or structure for assistance in obtaining the proper approvals.

- Personal property equipment constructed for research and development that is intended as experimental, changing product rather than as a finished product.
- Personal property equipment used for administrative support.
- Spare parts.
 - Depending on the overall value of spare parts, consideration should be given to capitalizing the parts as operating materials and supplies (and expensing them as they are used). Regular counts of spare parts inventory should be considered as part of the quarterly Financial Statement and Stewardship Data Call, sent each quarter by the NOAA Comptroller.
- Outfitting costs – outfitting costs of items that do not meet the \$200K capitalization threshold.
- Non-integral property and equipment that does not meet the \$200K capitalization threshold.

For IUSD, costs incurred after final acceptance testing has been successfully completed should be expensed. In addition, all data conversion costs should be expensed, regardless of when the data conversion occurs.

5.4 Capitalized and Expensed Indirect Costs

Indirect costs that **can** be reasonably identified as costs incurred to bring PP&E to a form and location suitable for its intended use should be captured in CWIP. If the asset can be constructed without the costs, then those costs should not be considered as necessary to bring PP&E to a form and location suitable for its intended use, and therefore, should not be capitalized in CWIP.

Indirect costs that **cannot** be reasonably identified as costs incurred to bring PP&E to a form and location suitable for its intended use should be expensed. General management and administrative support costs and other overheads that cannot be traced, assigned, or allocated to a particular CWIP activity or that do not contribute to bringing the CWIP asset(s) to a form and location suitable for its intended use should also be expensed. If the functionality of the constructed asset is not impacted if the costs are incurred or not incurred those costs, then those costs should be expensed.

NOAA Staff Office costs (e.g., AGO, CAO, CFO, CIO, OGC, WFM, etc.) are **not** to be captured in CWIP. NOAA considers these costs to be: (a) not necessary to bring the asset to a form and location suitable for its intended use; and (b) not reasonably traceable, assignable or allocable to NOAA's CWIP activities. One exception to this rule is where CAO is managing a CWIP activity (e.g., real property CWIP activities that are managed by CAO's Project Planning and Management Division (PPMD)). Appropriate indirect costs such as PPMD and CAO costs should be considered in determining the indirect costs to be captured in CWIP.

5.4.1 NOAA's Policy Regarding Indirect Costs

Due to the unique and diverse nature and management of NOAA's CWIP activities, prescribing a single NOAA-wide methodology for capturing indirect costs for NOAA's CWIP activities is not appropriate. The NOAA Line and Staff Offices, who have the most knowledge of their respective CWIP activities, must each develop a methodology to identify and capture the appropriate indirect costs in CWIP for their Line/Staff Office's CWIP activities.

Each NOAA Line/Staff Office's indirect cost methodology must be documented and justifiable. The indirect cost methodology must be reviewed and approved by the FO-FSB and the appropriate Property Office prior to implementation.

Each Line/Staff Office's indirect cost methodology, once adopted, must be used consistently thereafter. Consistent use provides cost information that can be compared from year to year. However, this requirement does not preclude necessary improvements and refinements to the methodology, so long as the effect of any change is documented and explained. Improvements are encouraged.

If, for any reason a Line/Staff Office wants to change its indirect cost methodology being used, the revised indirect cost methodology must be approved by the FO-FSB and the appropriate Property Office prior to implementation. The Line/Staff Office must also provide documentation that justifies the reason for the change in the indirect cost methodology.

Development of one indirect cost allocation methodology applicable to all the CWIP activities within a Line/Staff Office is highly recommended and encouraged; however, based on the types of CWIP activities and the internal processes within a particular Line/Staff Office, separate indirect cost allocation methodologies may be developed for different types of CWIP activities within a Line/Staff Office (e.g., using different indirect cost methodologies for real property versus personal property CWIP activities within a Line Office may more accurately capture indirect costs used by those activities).

In some instances, it may be determined, through application of the indirect cost methodology, that the proposed amount of indirect costs to be captured for a specific CWIP activity is immaterial to the overall costs of that CWIP activity. Decisions regarding the materiality of the indirect costs for a specific CWIP activity must be documented, justified, and approved by the FO-FSB. These amounts would be excluded from CWIP and included within NOAA's non-GAAP analysis and disclosure.

Indirect costs must be captured for each CWIP activity via an annual SLT that should be processed during the fourth quarter of the fiscal year unless the asset is placed in service prior to this annual adjustment, and then an adjustment should be made prior to capitalization. Capturing of indirect costs is not required until the fiscal year in which the design period begins. The SLT should cover the full fiscal year, and because it will be processed prior to the year-end, may need to include estimates.

The cost adjustment for indirect costs must use a **separate and distinct CBS project code(s)**.

Costs must be adjusted from a CBS non-CWIP related project code to the related CBS CWIP project code and stay within the same Program, Project, and Activity (PPA) code or CBS Program Code 4. (Guidance for completing cost adjustments (SLTs), including the necessary forms, is available at: <http://www.corporateservices.noaa.gov/~finance/slt.html>.)

These adjustments for indirect costs will have no budgetary impact.

5.4.2 Determining the Line/Staff Office Indirect Cost Methodology

Step 1: Identify the indirect costs that have been incurred to bring PP&E to a form and location suitable for its intended use.

When considering which indirect costs to capture in CWIP, indirect costs at both the Line/Staff Office or Headquarters level and the FMC/program levels must be considered.

Examples of NOAA indirect costs might include:

	Cost Types to Consider	Examples	NOAA Object Class Codes
1	Indirect Labor and Benefits	a. L/SO or Headquarters management b. FMC or program management c. CWIP Activity Manager d. CWIP Project Manager e. L/SO Level Support Services (e.g., Finance, Budget Execution, Human Resources, etc.)	11-xx-xx-xx 12-xx-xx-xx
2	Travel, Printing, and Other Costs	a. Travel b. Printing and Reproduction c. Supplies and Materials d. IT services	21-xx-xx-xx 24-xx-xx-xx 26-xx-xx-xx
3	Facilities, Equipment, and Maintenance	a. Rent, Communication and Utilities b. Equipment (other than spare parts and non-integral assets)	23-xx-xx-xx 31-xx-xx-xx
4	Contractor Support Services	a. Outsourced labor performing similar tasks as the “Indirect Labor” category above	25-xx-xx-xx

Step 2: Determine appropriate indirect cost methodology to use to capture those indirect costs that should be in CWIP.

According to FASAB SFFAS 4, “Managerial Cost Accounting Standards and Concepts”, paragraph 124, “costs should be assigned to outputs in one of the following methods listed in the order of preference:

- A. Directly tracing costs whenever economically feasible;
- B. Assigning costs on a cause-and-effect basis; and
- C. Allocating costs on a reasonable and consistent basis.”

Multiple methods can be used to capture the indirect costs for one CWIP activity.

A. Direct Tracing:

Direct tracing applies to indirect costs that can be directly identifiable to a CWIP activity and resources that are directly used in the construction of an asset(s). Examples include:

- Materials that are used in the construction of the asset(s);
- Employees who directly work on the asset(s);
- Facilities and equipment used exclusively in the construction of the asset(s); and
- Goods or services received from other entities (within NOAA and external to NOAA) that are directly used in the construction of the asset(s).

Direct tracing applies to specific resources that are dedicated to particular outputs (e.g., the construction of the asset(s)). Direct tracing usually relies on observation, counting, and/or recording of the consumption of resources such as employee hours spent on a project.

For example, the labor and benefits for CWIP Activity and Project Managers should be able to be direct traced to the CWIP Activity based on the number of hours each individual spends on a CWIP activity.

B. Cause-and-Effect Basis:

Cause-and-effect basis links resource costs to the constructed asset(s) based on a cause-and-effect relationship between the two. The links are usually activities or work elements that contribute to or support the constructed asset(s). The constructed asset(s) requires the performance of certain activities, and those activities cause costs. Therefore, activity(s) is the link between resource costs and the constructed asset(s). Costs that have a similar cause-and-effect relationship to the asset(s) can be grouped into cost pools. (e.g., ABC costing)

C. Allocating Costs:

There are times where it is not economically feasible to directly trace or capture costs on a cause-and-effect basis. Types of costs in which these two approaches may not be feasible include general management and support costs, rent, maintenance, and utilities. These types of costs can be allocated on a prorated basis. The cost allocations are usually based on a relevant common denominator such as the number of employees, square footage of office space, or the amount of direct costs incurred on the outputs. Indirect costs may be grouped in

pools, and each pool is subject to one allocation base. Costs grouped into one pool should have similar characteristics.

For example, a Line/Staff Office could use NOAA's current internal processes such as those referred to in Chapter 12: Administrative Costs of the Finance Handbook.

Another example of allocating costs would be to calculate the ratio of CWIP related hours to total labor hours from a single group (e.g., CWIP Activity manager) or collective grouping (e.g., all labor hours) of costs. This ratio can then be applied to the identified indirect cost pools referenced above to determine the amount of indirect costs to capture in a CWIP activity.

A third example of allocating costs would be to calculate the ratio of CWIP to total cost based on a single group (e.g., contractor support services) or a collective grouping (e.g., all costs) of costs. This ratio can then be applied to the identified indirect cost pools referenced above to determine the amount of indirect costs to capture in a CWIP activity.

5.5 Integral vs. Non-Integral Assets

If an item is integral to a CWIP asset, then the item shall be considered a cost of the CWIP activity. To determine if an item is integral or non-integral to a CWIP asset, use the Decision Tree – Integral vs. Non-Integral in Figure 1.

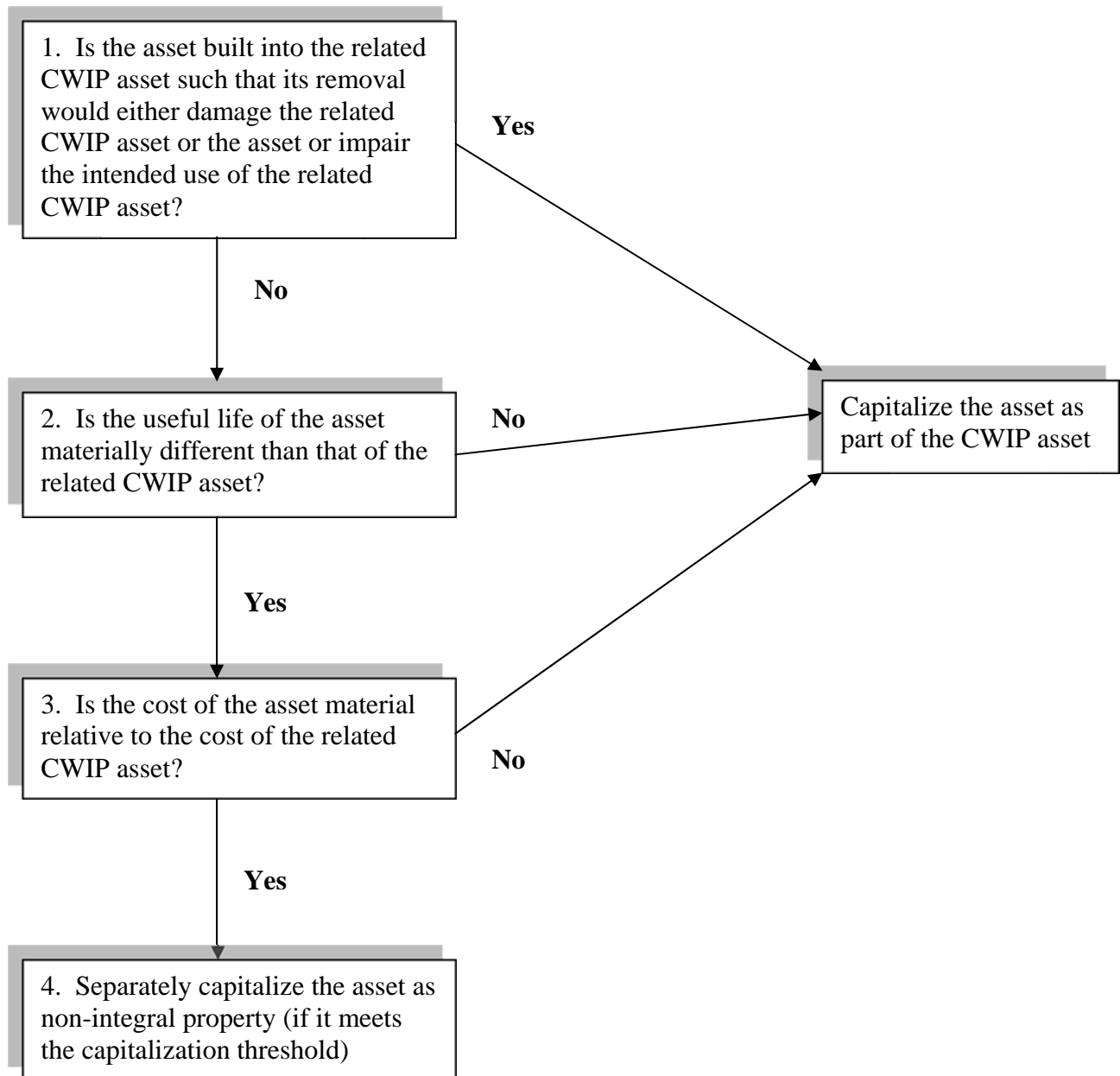
Property and equipment that is not integral to the CWIP asset should be capitalized or expensed, in accordance with existing personal property or real property guidance and not included in the cost of the CWIP asset. Non-integral property and equipment meeting the \$200K capitalization threshold must be entered into the property system, and will be capitalized at its cost and depreciated over its useful life for financial reporting purposes. Non-integral property and equipment meeting the criteria of accountable property (costs do not meet the \$200K capitalization threshold) must be entered into the property system and will be expensed at its cost for financial reporting purposes.

For personal property, see NOAA property bulletin regarding parent-child relationships that can be established in Sunflower. (http://www.pps.noaa.gov/personal_property_policies_procedures/)

Figure 1

Decision Tree – Integral versus Non-Integral

This decision tree should be used to determine whether an asset is an integral or non-integral part of the related CWIP asset.



5.6 Funding for Capital Improvements to Real Property

NOAA on occasion may simultaneously fund multiple activities at one site when allocating funds. Those activities may be developed and contracted for separately, but could be combined for the purpose of determining if the work at the site should be capitalized or expensed.

When multiple activities at a single facility are simultaneously funded, those activities will be grouped and the criteria for determining capitalization of improvements to real property will be applied to the aggregate of activities. If monies for additional activities at that site are provided after the initial allocation, those activities will be treated individually for determining capitalization and will not be added to the original effort and determination.

5.7 Accruals

When the item is placed in service, accruals are required for delivered goods or services received or provided but not yet billed. Accruals are required to capture the full cost of the asset. Due to the timing delay between the delivery of goods and services and processing of the invoice, the full cost may not be reflected on the CA500D report.

Accruals should be processed via NOAA's normal accrual processes, which are documented in the "Year End Closing Information and Instructions" and can be found on the FO website (<http://www.corporateservices.noaa.gov/~finance/yearend.html>) or by the FO-FSB based on information provided by the L/SOs as part of the FO quarterly data call related to the Undelivered Orders (UDO) analysis.

Accruals processed through NOAA's normal accrual process will be recorded in CBS at a detail level and will be reflected on the CA500D report.

For quarters 1, 2 or 3, the manual on-top accruals processed by the FO-FSB will not be reported in CBS or reflected on the CA500D report. For quarter 4 or year-end, the manual on-top accruals will be recorded in CBS and automatically reversed in the subsequent month or general ledger period. Therefore, the year-end manual on-top accruals will be reflected on the CA500D report. The capitalization of manual on-top accruals will be recorded by the FO-FSB based on the information provided in response to the quarterly data call (UDO analysis).

5.8 CWIP Activities Funded by Reimbursables

Some CWIP activities are funded by both direct/appropriated funds and reimbursable funds. Amounts funded by appropriated funds should be tracked according to the CWIP policy (i.e. included in CWIP reconciliations, NF 37-6 forms, etc.). Amounts funded by reimbursable funds, either internal or external to NOAA, will be included in the total value of the CWIP activity if the activity falls within the conditions discussed.

5.8.1 Reimbursables External to NOAA

For CWIP activities funded by reimbursable funds external to NOAA, the costs will be included in the total value of the CWIP activity only if the Memorandum of Understanding (MOU) transfers the ownership of the asset to NOAA or identifies the asset as belonging to NOAA at the end of the construction activity. The reimbursable project codes should be set up and accounted for as reimbursables to ensure NOAA's reimbursable activity and data is accurately reflected on NOAA's financial reports. At the end of the CWIP activity, the portion of the CWIP asset funded by the reimbursable sponsor (e.g., Air Force, Navy, and NASA) should be "transferred" to NOAA if NOAA owns the constructed asset at the end of the CWIP activity.

SLTs should **not** be entered to transfer the costs from the reimbursable project codes to the CWIP project codes. By adjusting the amounts to the operational direct accounts, NOAA's reimbursable activity would be understated, and it would reduce NOAA's appropriated amounts for the CWIP activities.

CWIP Activity Managers should track the CWIP costs funded by direct/appropriated funds on monthly CWIP reconciliations to ensure full cost accounting. The normal CWIP reconciliation spreadsheet should **not** be used to track reimbursable amounts. The reimbursable amounts associated with the CWIP activities, which are identifiable by project code, should be tracked separately. By using the normal CWIP reconciliation for reimbursable amounts, a "difference" in column "F" would show, which would incorrectly give the appearance that an adjustment is needed.

CWIP Activity Managers should report reimbursable amounts quarterly to FO-FSB in response to the Quarterly Financial Statement and Stewardship Information Data Call. FO-FSB will make the necessary adjustments to the quarterly financial statements.

When the asset has been placed in service and the NF 37-6 is prepared, the CWIP Activity Manager must include the NOAA-appropriated portion with its respective CWIP project code(s), on the NF 37-6, as well as the "transferred-in" portion from the reimbursable sponsor and the reimbursable project code(s). The NF 37-6 must show separately, the funding contributed by each agency using the reimbursable project code(s). Once a NF 37-6 has been received by the FO-FSB, a journal entry is recorded in CBS to reclassify NOAA's portion of the activity from CWIP to a capitalized property account. The portion of the activity contributed by the other government agency (the reimbursable portion) is recorded as a "transfer in" of CWIP activity (SGL Account 1720) to NOAA and subsequently reclassified from CWIP to a capitalized property account.

The RPMD/PPMB must enter the total amount (NOAA-appropriated portion plus the reimbursable portion of the capitalized CWIP asset) into the property system if the CWIP activities were transferred to NOAA at completion of the activity.

5.8.2 Reimbursables Internal to NOAA

CWIP activity costs should remain in reimbursable project codes and are not required to follow a CWIP project code structure. For CWIP activities funded by quasi-reimbursable revenues internal to NOAA, such as the Asset Forfeiture Fund and Inspection and Grading activities, the costs associated with the CWIP activities should be tracked in their respective reimbursable project codes by the CWIP Activity Manager.

SLTs should not be prepared or entered to move costs from the reimbursable funded portion to appropriated funds. By adjusting the amounts to the operational direct accounts, NOAA's reimbursable activity would be understated, and it would reduce NOAA's appropriated amounts for the CWIP activities.

CWIP Activity Managers should report reimbursable amounts quarterly to FO-FSB in response to the Quarterly Financial Statement and Stewardship Information Data Call. FO-FSB will make the necessary adjustments to the quarterly financial statements.

When the asset has been placed in service and the NF 37-6 is prepared, the CWIP Activity Manager must include the NOAA-appropriated portion with its respective CWIP project code(s), on the NF 37-6, as well as the "transferred-in" portion from the reimbursable sponsor and the reimbursable project code(s). The NF 37-6 must show separately, the funding contributed by each L/SO using the reimbursable project code(s). Once a NF 37-6 has been received by the FO-FSB, a journal entry is recorded in CBS to reclassify NOAA's portion of the activity from CWIP to a capitalized property account. The reimbursable portion is recorded as a "transfer in" of CWIP activity (SGL Account 1720) and subsequently reclassified from CWIP to a capitalized property account.

The RPMD/PPMB must enter the total amount (NOAA-appropriated portion plus the reimbursable portion of the capitalized CWIP asset) into the property system

5.9 Impairment of CWIP

Impairment is a significant and permanent decline in the expected service utility. SFFAS 44, "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use", establishes guidance on accounting for impairment of general PP&E, excluding internal use software, but including CWIP. SFFAS 10 establishes guidance on accounting for impairment of internal use software. The provisions of these statements are to be applied when indicators of potential impairment, as specified in the standards, are identified. Impairments should be completed for material items only and are not reversible.

CWIP Project Managers must complete the Impairment Checklist on an annual basis for all open CWIP activities. These Impairment Checklists must be reviewed by the CWIP Activity Managers, and an analysis performed to determine the amount of the impairment. If an

impairment occurs outside of the completion of the annual checklist, the checklist and analysis should be completed timely.

If an impairment has occurred, the CWIP Activity Manager must notify the FO-FSB, via the Financial Statement and Stewardship Data Call sent each quarter by the NOAA Comptroller. For CWIP assets that have impairment amounts, accumulated CWIP costs may be reduced by the FO-FSB, via an adjusting entry into CBS, to permanently reduce the CWIP asset cost basis and reflect expected net realized value and recognize impairment losses (if any).

The Impairment Checklist and additional information to assist in performing the impairment analysis can be found on the NOAA CWIP website.

5.10 Advances/Prepayments for CWIP

NOAA advances or prepays amounts to other government agencies for CWIP activities (i.e., Navy, etc.). When amounts are advanced or prepaid, the CWIP Activity Manager has the responsibility to ensure that amounts are allocated correctly and charged using the correct CWIP or related non-CWIP project codes. On a quarterly basis, the CWIP Activity Manager must identify and prepare a spreadsheet with the amount of funds advanced/prepaid versus the amount of work completed to date. These amounts should be identified by CWIP and related non-CWIP project codes. (An example of the spreadsheet can be found on the NOAA CWIP website.)

The CWIP Activity Manager must notify and submit the required spreadsheet to the FO-FSB, via the quarterly Financial Statement and Stewardship Data Call, sent each quarter by the NOAA Comptroller, so that the FO-FSB can enter an adjusting entry into CBS for quarterly financial statement reporting. On non-quarter months, the CA500D report will reflect all amounts advanced/prepaid using CWIP project codes on quarter months, amounts identified as “advanced or prepaid” using CWIP project codes will temporarily not be reflected in the CA500D report until the FO-FSB’s temporary adjusting entry has reversed in the subsequent month or general ledger period.

5.11 CWIP Documentation File

CWIP Activity Managers must maintain adequate supporting documentation (a.k.a., the “CWIP Documentation File”) for all costs included in the CWIP activity.

The CWIP documentation file must contain adequate supporting documentation for proper cost valuation of the asset. The CWIP Activity Manager must obtain copies of, or have access to, the source documents for any costs included on the monthly CWIP reconciliations and the NF 37-6(s). The CWIP documentation file should include, but is not limited to:

- CWIP Determination Letter (signed by, at a minimum, the CWIP Activity Manager and the Real/Personal Property Officer) indicating the Project Manager’s findings;

- Documentation to support the placed in service date;
- Annual SLTs for incidental and administrative costs, if applicable;
- CA500D report and other related CBS accounting and cost reports, organized by project code and agreeing to the dollar amounts by project code reported on the NF 37-6;
- Copies of invoices or sufficient third party documentation to support the dollar amounts reported on the NF 37-6;
- CBS labor reports documenting direct labor costs;
- Copies of construction or production contract (including the Statement of Work), copies of CBS bankcard statements, all modifications and both partial and final invoices;
- Copies of travel vouchers for inspections or design review (only for activities involving NOAA staffed, in-house designs);
- Copies of architectural and engineering contract task orders (including the Statement of Work) and related invoices;
- Bills of lading for transportation charges;
- Copies of contracts for construction management services (including the Statement of Work) and related invoices;
- Copies of billing for space charges for storage costs for GFE delivered prior to the installation date;
- Copies of invoices for duplicating drawings and specifications for final design;
- Copies of purchase orders, Receipt and Inspection Reports and related invoices for materials purchased for in-house construction;
- NF 37-509 “Property Transaction Report” for personal property construction signed by the property custodian;
- Documentation related to CWIP activities transferred to NOAA through reimbursable funding or outright transfers/donations; and
- Spreadsheet or query to support costs by project code.

Although the policy calls for the proper supporting documentation of the costs to be maintained by the CWIP Activity Manager, it recognizes that, on occasion, copies of documents may not have been included in the CWIP documentation file. In these cases, since the document number for the missing item exists in CBS, this information will allow the source document in the servicing FO payment office to be obtained by the CWIP Activity Manager, if needed.

5.12 CBS CWIP Report (CA500D)

The cost data is reflected on the CBS CWIP Report (CA500D) and will remain on this report until the construction costs are fully capitalized and the undelivered orders, the unpaid expenditures, and the uncapitalized costs are reduced to zero. The FO-FSB must ensure the total of the “Uncapitalized Cost” on the CA500D report agrees with the corresponding general ledger CWIP account balance (SGL Account 1720).

For information on the CA500D report, refer to the fact sheet on the NOAA CWIP website.

5.13 Monthly CWIP Reconciliation Process

The purpose of the reconciliation is to reconcile costs reported on the CA500D report to the actual CWIP costs and supporting documentation kept in the CWIP Activity Manager's documentation file; thereby, verifying the CA500D report balances against an independent source.

The reconciliations are to be summarized at the project and task code level across all Fund Code Fiscal Years (FCFY) and all object class codes. Reconciliations must include all task codes. The project codes included in each CWIP activity's reconciliation should agree to the CWIP Activity Database maintained by the FO-FSB. Reconciliations should include both the new (or non-cancelling) and the corresponding old (or cancelled) project and task codes for CWIP costs that have been moved from a cancelling fund code. In order to facilitate the review of the CWIP reconciliations, it is recommended that closed project codes (CWIPC/IUSDC) be listed separately at the end of the CWIP reconciliation.

Every cost reported as "CWIP Activity Manager's Costs" must be evidenced by supporting documentation other than the CA500D report. The documentation must be maintained in the CWIP documentation file, unless the documentation can be easily retrieved from another location.

For **all open** CWIP and IUSD activities, the CWIP Activity Manager must complete and submit monthly CWIP reconciliations using the standard CWIP Reconciliation Template. The template and its instructions can be found on the NOAA CWIP website.

For "Non-Quarter" months, the monthly reconciliations will be due in the FO-FSB by close of business (COB) five (5) business days following the official general ledger month end close date. For CBS general ledger system closing information and monthly schedules, refer to the CBS/General Ledger webpage (<http://www.corporateservices.noaa.gov/finance/glinfo.html>).

For "End of the Quarter" months (December, March, June, and September), the reconciliations will be based on a predetermined mid-point date of the last month, which will be announced, in advance, via the "Quarterly Data Call Memo" issued by the NOAA Comptroller.

Once the CWIP Activity Manager completes the monthly CWIP reconciliation for each CWIP activity and project code, the CWIP reconciliations must have been reviewed and approved by the appropriate L/SO CFO/M&B Chief or NOAA's CAO (Deputy CAO), if CWIP Activity Manager is OCAO-designated, and then forwarded to the FO-FSB. Reconciliations submitted to the FO-FSB must be: (a) a scanned electronic copies with appropriate signatures (i.e. PDF version) and (b) an Excel version. Faxed copies of the reconciliations are not accepted by the FO-FSB.

All differences or reconciling items noted in the CWIP reconciliations must be resolved within four (4) weeks of the noted difference by the CWIP Activity Manager. The FO-FSB will contact

the CWIP Activity Manager for the status of resolving all differences noted in the monthly CWIP reconciliations.

If any CWIP activity information on the reconciliation does not agree to information reported on the NOAA CWIP Activity Database reports, inform the FO-FSB immediately.

6.0 Capitalization and Completion Phase

6.1 Transferring Assets from CWIP to PP&E

6.1.1 Placed in Service

PP&E shall be recorded as CWIP until the asset is placed in service. Below are placed in service dates for NOAA's various types of assets.

- Real property = Beneficial Occupancy Date (BOD)
- Vessels = Date when the vessel is commissioned.
- Aircraft = Date after the formal contractual acceptance of the aircraft, all mission modifications are completed, and the aircraft is available for initial mission assignment.
- Software = Date final acceptance testing has been successfully completed in a production environment.
- Satellite ground systems = Date when both the possession and operations of the asset are handed over to a National Environmental Satellite, Data, and Information Service (NESDIS) operating organization.
- NOAA owned satellites, instruments, and related assets = Placed in service as a suite on the operational handover date. The operational handover date represents the turnover of the satellite and related instruments to NOAA satellite operators from the private sector or other Federal Agency post launch. At this point, the asset is deemed operationally ready for its use.
- NOAA owned instruments on a non-NOAA owned satellite or as a hosted payload = Placed in service as a suite on the operational implementation date. The operational implementation date represents the successful launch and on-orbit verification of the satellite, the operational readiness of the NOAA product generating systems and readiness of major users, and the commencement of satellite operations.
- NOAA investments in non-NOAA owned satellite instruments and related assets (that meet the capitalization criteria as described in appendix F) = Placed in service on the operational implementation date (as described above).
- Note: The development of satellites, instruments and related assets is complex and may span many years, and as such, the specific facts and circumstances of each CWIP activity should be evaluated. See Appendix F for further details to assist with this evaluation.

For types of assets not listed above, an appropriate placed in service date should be selected/used. Documentation must support the date and explain why that date represents the date the asset was placed in service.

Under certain circumstances, significant events and/or milestones may be used to determine placed in service dates. Costs incurred to date should be reported using the NF 37-6 form. When multiple significant milestones or events occur during the same FY, the CWIP Project Managers should capitalize all of the cumulative costs for that FY under the final completed milestone for that year.

Case-by-case exceptions to the above policy regarding placed in service date must be approved by the L/SO Headquarters Office, the FO-FSB, and the RPMOD/PPMB.

6.1.2 NF 37-6 – Report of Property Constructed

When the asset is placed in service, the CWIP Activity Manager must complete the Report of Property Constructed (NF 37-6) to transfer costs from CWIP to PP&E. The initial NF 37-6 is submitted when the constructed asset is placed in service. Subsequent NF 37-6s, with the appropriate useful life and acquisition date, are prepared to capture the final cost of the completed asset.

Costs reported on the NF 37-6 should be at a project and task code level. NF 37-6s should include both the new (or non-cancelling) and the corresponding old (or cancelled) project and task codes for CWIP costs that have been moved from a cancelling fund code. In addition, CWIP activities funded by reimbursable funding should include the “transferred in” portion from the reimbursable sponsor. Each contributing agency must be shown separately and identified by the reimbursable project code. Where an asset was “transferred in” to NOAA, the NF 37-6 should also include the “transferred in” portion. Manual on-top accruals should not be reported on the NF 37-6.

The following three conditions require submission of a NF 37-6:

- 1) The constructed asset is placed in service (e.g., initial NF 37-6);
- 2) For a CWIP asset already placed in service or a completed phase/milestone of the asset has been reached, uncapitalized costs equal to the lesser of \$1,000,000 or 10% of the total cost incurred to date within the FY (e.g., revised NF 37-6); and
- 3) When undelivered orders equal \$0, unpaid costs equal \$0, no further costs are expected, and there are uncapitalized costs (i.e. the CWIP activity is complete) (e.g., final NF 37-6).

The NF 37-6 form and instructions are available on the NOAA CWIP website.

For the second and third conditions listed above, the PPMB and RPMOD will monitor the CWIP Activity Database (CWIPDB) 306 report, specifically the CWIPDB306B for personal property and CWIPDB306C for real property, monthly to determine if a NF 37-6 should be submitted. Within a week of receiving the reports, the Property Offices will notify the appropriate L/SO,

with a copy to the FO-FSB, if a revised or final NF 37-6 is required. Notification from the PPMB/RPMD, rather than placed in service date, will serve as the starting point for the timeline specified below for initial 37-6s. Regardless of the notification from the PPMB or RPMD, it is the L/SO's responsibility to submit the NF 37-6 or contact the RPMD/PPMB and the FO-FSB to discuss the submission.

If the L/SO anticipates significant additional costs before the end of the FY, the appropriate Property Office, the FO-FSB, and the L/SO can together make a determination to defer the revised NF 37-6 to a specific date within the FY. All three offices must agree on the decision to defer and the specific date.

Either the FO-FSB or the Property Offices may request a revised NF 37-6 for instances that do not meet the second condition listed above if they deem it necessary due to materiality, timeliness or other potential audit risk. The office initiating the request must provide justification at the time of the request.

A final NF 37-6 should be completed once all contracts are closed and finalized.

Due Dates

Assets with placed in service dates between or email notification from RPMD/PPMB dated October 1 through July 12:

- The CWIP Activity Manager and the L/SO must forward a completed NF 37-6 to the FO-FSB within 40 calendar days of the date the asset was placed in service;
- The FO-FSB will review and approve the NF 37-6 within 10 calendar days of receipt and forward the signed NF37-6 to the RPMD/PPMB;
- The RPMD/PPMB will review and approve the NF 37-6 within 30 calendar days of receipt and forward the signed NF 37-6 to the FO-FSB and to the CWIP Activity Manager;
- The FO-FSB will process the General Journal (GJ) within 10 calendar days of receipt of the final approved NF 37-6; and
- The entire process should not exceed 90 calendar days after the date the asset was placed in service (supported by documentation).

Assets with placed in service dates between or email notification from the Property Office dated July 13 through August 31:

- CWIP Activity Managers should generate a NF 37-6 and submit it to the FO-FSB by September 10 to allow sufficient time to process the NF 37-6 before year-end; and
- For NF 37-6 forms submitted after August 11, the FSB and the RPMD/PPMB review and approval timeframe must be adjusted to ensure that the NF 37-6 will be processed by year-end.

Assets with placed in service dates between or email notification from the Property Office dated September 1 through September 30:

- At a minimum, an estimated NF 37-6 must be submitted. The asset cost will be labeled as “Estimate” on the NF 37-6 and in Sunflower (if a personal property asset) and adjusted with a “Revised” or “Final” NF 37-6 in the next FY.

A NF-37-6 signed by the FO-FSB by the last day of the quarter end month will be reported in the same quarter if the RPMD/PPMB’s signature is by the second business day of the following month.

It is recommended that monthly meetings/data calls occur from October through June between the L/SO, the FO-FSB, and the appropriate Property Office to discuss the status of open CWIP activities and related NF 37-6(s). It is also recommended that weekly/bi-weekly meetings/data calls/emails occur from July through September to discuss the status of open CWIP activities (with placed in service dates that fall in the current or prior FY) and related NF 37-6(s), especially any delays in the process.

If it appears that a deadline will be missed, an extension can be requested from the FO-FSB and the PPMB/RPMD. No extensions will be granted at year-end.

Certifications

The L/SO CFO or NOAA’s CAO/Deputy CAO, if CWIP Activity Manager is OCAO-designated, reviews and certifies via signature the NF 37-6. Management and Budget (M&B) Chiefs are not permitted to certify the NF 37-6s.

The FO-FSB certifies the depreciation project code is valid and active, and that the CWIP costs on the NF 37-6 do not exceed the current CA500D report for “Uncapitalized Costs”. The FO-FSB’s review does not include reviewing the CWIP documentation file or certifying the accuracy of the costs charged to and included in the CWIP activity.

The RPMD/PPMB will review the NF 37-6 and related CWIP documentation file for completeness and accuracy, ensuring amounts to be capitalized are accurate and should not be expensed. The Property Management Officer (PMO) then certifies the NF 37-6 that they agree with the accuracy of the costs included in CWIP to be transferred and the CWIP supporting documentation.

No adjustments will be made by the FO-FSB for NF 37-6s that do not have all the required certifications.

6.2 Minimum Documentation Requirements for the NF 37-6

It is the responsibility of the CWIP Activity Manager to forward copies of supporting documentation to the appropriate Real/Personal Property Officer for review, along with the NF 37-6 for certification and entry into the appropriate property system. The Real/Personal Office must also maintain their copy of the documentation for the life of the asset.

The minimum supporting documentation to be provided to the Real/Personal Property Officer with the initial NF 37-6, specified below, is a subset of the CWIP Activity Manager's documentation file.

- CWIP Determination Letter (signed by, at a minimum, the CWIP Activity Manager and the Real/Personal Property Officer) indicating the Project Manager's findings;
- Documentation to support the placed in service date;
- Final contract modification including the total amount by Contract Line Item or other obligating document(s) with pages specifying deliverables from the Statement of Work;
- Any amendments or modification to the contract(s) affecting the deliverable mentioned above;
- Spreadsheet tying obligating documents to the asset cost on the NF 37-6. The spreadsheet should, at a minimum, contain the following information: FY, Fund Code, Undelivered Orders, Accrued Costs, Cost/Payments, Obligations, Project Code, Obligating Document, and Total Cost (must equal amount on the NF 37-6);
- SLT for incidental and administrative costs, if applicable;
- Transfer documentation, if applicable;
- Useful life certification following Real/Personal Property guidance and corresponding to the useful life on the NF 37-6 (signed by the Project Manager). If the useful life is other than that prescribed by the standard guidance, a justification memorandum from the CWIP Project Manager must be included;
- Certified NF 37-509 (personal property only); and
- Completed FRPM data entry form (real property only).

The minimum supporting documentation to be provided to the Real/Personal Property Officer for review with a revised NF 37-6 is a revised spreadsheet tying obligating documents to the additional cost and any new or modified documentation required since the initial NF 37-6. The RPMD and the PPMB reserve the right to request additional detailed documentation (e.g., documentation for any costs included on the NF 37-6 not provided in the file forwarded with the NF 37-6).

6.3 Closing a CWIP Activity

A CWIP activity can be closed when undelivered orders equal \$0, unpaid costs equal \$0, no further costs are expected, and there are no uncapitalized costs.

When a CWIP activity is complete, the L/SO should notify the FO-FSB via email so that the CWIP activity can be designated “completed” in the CWIP Activity Database, thereby removing the CWIP activity from the database reports.